

Honolulu, Hawaii

MAR 21 2025RE: H.B. No. 1308
H.D. 3
S.D. 1

Honorable Ronald D. Kouchi
President of the Senate
Thirty-Third State Legislature
Regular Session of 2025
State of Hawaii

Sir:

Your Committees on Economic Development and Tourism and
Commerce and Consumer Protection, to which was referred H.B.
No. 1308, H.D. 3, entitled:

"A BILL FOR AN ACT RELATING TO SPORTS WAGERING,"

beg leave to report as follows:

The purpose and intent of this measure is to:

- (1) Allow for the regulation of sports wagering by the
Department of Commerce and Consumer Affairs;
- (2) Establish licensing requirements for sports wagering
operators and sports wagering suppliers; and
- (3) Specify that legal sports wagering and fantasy sports
contests shall not be considered contests of chance or
gambling.

Your Committees received testimony in support of this measure
from BetMGM; Iron workers Stabilization Fund; DraftKings; Sports
Betting Alliance; Operative Plasterers' and Cement Masons'
International Association Local #630, AFL-CIO; and ten
individuals.



Your Committees received testimony in opposition to this measure from the Department of Commerce and Consumer Affairs; Department of the Attorney General; Department of the Prosecuting Attorney of the City and County of Honolulu; Honolulu Police Department; Hawai'i Christian Coalition; Stop Predatory Gambling; HI Good Neighbor; Boyd Gambling; The Institute for Human Services, Inc.; Calvary Chapel Westside; Hawaii Family Forum; Aloha Freedom Coalition; Hawaii Patriot Republicans; and numerous individuals.

Your Committees received comments on this measure from the Department of Taxation, Department of Budget and Finance, Hawaii State Commission on the Status of Women, and National Council on Problem Gambling.

Your Committees find that sports wagering exists in Hawaii through a robust illegal market, where sophisticated illegal operators capitalize on the popularity of this form of entertainment. Your Committees further find that the legalization of sports wagering presents a viable strategy for both decreasing predatory illegal activity and increasing economic diversification and long-term fiscal stability for the State. The revenue stream from sports wagering can additionally be allocated to address the rising costs of living; bolster critical public services such as education, health care, and infrastructure; and stimulate job creation. By creating an effective, lawful market, this measure will provide Hawaii residents with a safe, legal framework to engage in sports wagering.

Your Committees note the concerns raised in testimony, including the testimony by the Department of Commerce and Consumer Affairs, stating that sports wagering, due to its inherent risk for consumers, including the potential for gambling addiction, financial hardship, and related social issues, may conflict with the Department's existing mandate to protect consumers, and recommending that the regulatory entity for sports wagering be reverted to the Department of Business, Economic Development, and Tourism, as proposed in the original version of this measure.

Accordingly, your Committees have amended this measure by:

- (1) Changing the regulatory entity from the Department of Commerce and Consumer Affairs to the Department of Business, Economic Development, and Tourism;



- (2) Changing the definition of "qualified gaming entity" to include Hawaii-based operators;
- (3) Clarifying that an application for the issuance or renewal of a sports wagering operator license shall include proof that the sports wagering system has been tested and certified for use either in the State or in another United States jurisdiction;
- (4) Requiring that an unspecified percentage of the general excise tax levied and collected on a sports wagering operator license be used for programs that support education;
- (5) Authorizing the Department of Business, Economic Development, and Tourism, rather than the Department of Commerce and Consumer Affairs, to conduct criminal history record checks on applicants and licensees relating to sports wagering; and
- (6) Making technical, nonsubstantive amendments for the purposes of clarity and consistency.

Your Committees also note the concerns raised in testimony stating that while sports wagering is an important component of an overall gaming policy framework, taken alone, it is not a significant source of tax revenue. Other states with market-size comparable to Hawaii that enacted isolated sports wagering legislation have been disappointed in their tax revenue from online sports wagering, which has not been sufficient to fund or sustain regulatory and enforcement oversight and a responsible gaming infrastructure, all crucial components of any gaming framework.

Your Committees further note concerns raised in testimony by the Department of Budget and Finance regarding the proposed establishment of a Problem Gambling Prevention and Treatment Special Fund in this measure to be funded by legislative appropriations and a portion of taxes collected from sports wagering operators. Special funds are statutorily required to be financially self-sustaining, independent of legislative appropriations. The Department of Budget and Finance is concerned



that the tax rate for sports wagering operators, as proposed in this measure, would not generate sufficient funds to regulate the sports wagering industry in the State without additional funding, and recommends that the tax rate be set at parity to, if not higher than, other "sin" taxes, such as cigarette and liquor taxes.

Your Committees additionally note the concerns raised in testimony by the Department of Taxation that requiring certain percentages of the general excise tax revenues collected from sports wagering operators to be deposited into the Problem Gambling Prevention and Treatment Special Fund, and to be used for programs supporting education, as proposed in this measure as amended, would require a fundamental change in the way the Department of Taxation accounts for and reports on general excise tax revenues, and would create administrative difficulties.

Your Committees find that these issues raise concerns that merit further consideration and respectfully requests that subsequent Committees to which this measure is referred examine these matters.

As affirmed by the records of votes of the members of your Committees on Economic Development and Tourism and Commerce and Consumer Protection that are attached to this report, your Committees are in accord with the intent and purpose of H.B. No. 1308, H.D. 3, as amended herein, and recommend that it pass Second Reading in the form attached hereto as H.B. No. 1308, H.D. 3, S.D. 1, and be referred to your Committee on Ways and Means.

Respectfully submitted on
behalf of the members of the
Committees on Economic
Development and Tourism and
Commerce and Consumer
Protection,



JARRETT KEOHOKALOLE, Chair



LYNN DECOITE, Chair



